Example of a Desk Study

Note to TDA Contractors: TDA is currently placing greater emphasis on the development of information necessary to attract project financing including analysis of econon-dc feasibility and identification of potential sources of financing. To assist you in your estimation of the work involved and in the preparation of a DS Report, we are attaching an example of a Desk Study Report that effectively respond to these TDA requirements.

Over time, additional examples will be placed in this section, so please check it frequently.

SOME WORDS HAVE BEEN INTENTIONALLY DELETED TO PROTECT PROPRIETARY INFORMATION

EXHIBIT A

Desk Study Report

regarding

Establishment and Operation of Internet-Based Communications Centers in Georgia

Prepared for the:

US Trade and Development Agency
1621 North Kent Street, Suite 300
Arlington, Virginia 22209 - 2131

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Table of Content

A. Executive Summary

i-world.com inc., an Internet and telecommunications company is seeking a $ grant from the US Trade and Development Agency'. The grant would be used to conduct a feasibility study of i-world's business plan to finance, develop and operate Internet-based communications centers in the Republic of Georgia. In partnership with the Georgian government, SANET (i-world's proposed Georgian partner and the country's leading ISP), U.S. Internet, telecommunications, and financial participants, the company intends to provide, on a fully commercial basis, affordable Internet access and related Internet and telecommunications services to significant segments of Georgia's 5.5 citizens. i-world intends to primarily locate its communications centers in existing educational facilities with the intent that schoolchildren utilize the systems during school days/hours (for free), while adults and other users would pay fees to access the system during non-educational periods.

Technically, the concept is timely and needed in Georgia, a country with a teledensity of 10% and a concentration of equipment (lines, toll centers) near Tbilisi. The Desk Study (DS) consultant was concerned whether the Georgian telecommunications network could handle the additional traffic that the school-based Internet centers would create; however the Georgian network approximates conditions found in the Russian network (as well as other CIS/NIS countries' networks) where Internet/telecommunications businesses are proliferating and prospering. In addition, and as requested during the DS, i-world produced two pieces of documentation that provided important project confirmations: the Georgian Ministry of Post and Telecommunications identified that the network infrastructure could handle the additional traffic that the project could create, and that SANET (i-world's proposed partner) holds an Internet and telecommunications license that permits the firm to provide Internet service throughout Georgia, including to schools and educational facilities (see Attachment A). The second letter, from the Ministry of Education of Georgia, confirms knowledge of i-world's project plan, outlines potential benefits for Georgian citizens, and identified ongoing project support (Attachment B). From the financial perspective, the project appears well conceived and potentially, profitable.

Global Resources recommends that TDA support this project, subject to the following two conditions which are discussed in greater detail in Section F, *Qualifications.*

1. i-world is required to submit additional information regarding proposed team members who would work on the feasibility study project for TDA's review prior to the release of any TDA funding for this project.

2. The DS consultant recommends that should TDA support this project that it is done on a sequenced basis. First, TDA should provide a letter of commitment and approval to i-world that identifies that (a) the project has been approved by TDA and

It is noted that the total study budget is I and that i-world has committed to fund the difference

that (b) **funding has been set aside and** will be released, once i-world provides two pieces of documentation (in addition to the project staffing information requested above). These two pieces of documentation are:

a) A Memorandum of Understanding, venture agreement or other type of contract that specifically outlines the organizational, financial and related commitments between i-world and its Georgian partner for both the Feasibility Study and the potential project;

b) A detailed Feasibility Study project plan, which will outline the specific resources, task items, objectives and deliverables, and timeframe for each of the study plan's components. i-world should consider using project management software for the preparation of this project plan and the DS consultant notes that such plans have usually been easiest to prepare and most successful in implementation when prepared in conjunction with the partner firm and the project's staff. In fact, creating such a joint project plan often provides the basis for building project team support, creating common agendas with realistic goals and mitigating project risk.

Upon presentation of all three requested pieces of documentation, TDA would then release funding for the feasibility study project.

B. Project Assessment

i-world.com inc., an Internet and telecommunications company and recently formed subsidiary of access.com inc. is seeking a $ grant from the US Trade and Development AgenCY2 . The grant would be used to conduct a feasibility study of i world's business plan to finance, develop and operate Internet-based communications centers in the Republic of Georgia. In partnership with the Georgian government, SANET (i-world's proposed Georgian partner and the country's leading ISP), U.S. Internet, telecommunications, and financial participants, the company intends to provide, on a fully commercial basis, affordable Internet access and related Internet and telecommunications services to significant segments of Georgia's 5.5 citizens. i-world intends to primarily locate its communications centers in existing educational facilities with the intent that schoolchildren utilize the systems during school days/hours (for free), while adults and other users would pay fees to access the system during non educational periods.

This project has a sound concept and appears to be well supported politically, commercially and technically. From the political perspective, i-world appears well connected with top Georgian leaders and the proposal includes timely letters of support (January 7, 2000) from both the country's President, Eduard Shevardnadze and the Ambassador of Georgia to the US (H.E. Tedo Japaridze) (Exhibit E). Economically, the project would stimulate the growth of the telecommunications sector (products and

2 It is noted that the total study budget is $ and that i-world has committed to fund the difference ($81,200).

communications services) and information technology fields (computer equipment, software, network routers, switches, etc.); more **importantly, it** could stimulate e-commerce and business-based Internet applications for Georgian (and US) citizens. Depending upon Georgian laws and the growth of telecommunications liberalization, it may help to provide alternative pathways for international voice communications (e.g. Internet telephony) as well.

Technically, while the concept is timely and needed in Georgia, with a teledensity of 10% and a concentration of equipment (lines, toll centers) near Tbilisi, it is unclear whether the Georgian telecommunications network can handle the additional traffic that the school-based Internet centers would create. However, the Georgian network approximates conditions found in the Russian network (as well as other CIS/NIS countries' networks) where Internet/telecommunications businesses are proliferating and prospering.

In response to the DS consultant's concerns regarding the network infrastructure and Georgian laws regarding network competition and access, in one week, i-world produced two significant pieces of documentation. Included in this DS as Attachment A, the first letter, from the Minister of Post and Telecommunications in Georgia identifies that:

> . It is my understanding that you intend, in conjunction with the Ministry of Education and a Georgian Internet Service Provider, to establish communications centers in our schools which will make the Internet available to schoolchildren and others ... I would like to confirm that there is sufficient telecommunications infrastructure in place in Georgia (and in our schools) to support your proposed Internet operations."

The letter also confirms that i-world's proposed partner, SANET, can legally participate in the project:

> "This is to confirm that the Internet and telecommunications license granted to SANET permits SANET to provide Internet service throughout Georgia, including to schools and educational facilities."

The second letter, from the Ministry of Education of Georgia, confirms knowledge of i-world's project plan, outlines potential benefits for Georgian citizens, and identifies that:

> "Please be assured of our appreciation for your efforts and our ongoing support."

From the financial perspective, the project appears well conceived and potentially, profitable. However, as i-world is requesting TDA funding for the feasibility study (which will look at market and business planning concerns, including pricing and project finance issues), it is premature to assess its viability in this regard. Developmentally, academic/market research and historical evidence has proven that telecommunications

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and information technology sector growth provides educational, commercial, economic and social benefits.

Scope of Work

The feasibility study scope and budget (pages 35 - 42 in i-world's proposal) outlines a three-phase project over nine months. While the project identifies an April 1, 2000 start date, the IDS consultant believes **that if the project** commences within 3 to 6 months from this target time, there should not be an adverse effect.

Phase I is the most significant as key market/business research will transpire. Issues such as consumer income, existing consumer ISP/telecommunications usage patterns, consumer demand relative to proposed pricing levels, a pricing evaluation, network configurations, and local sites and services will be analyzed. Phase I meetings with Georgian ISP, SANET and ISP backbone companies will occur which will serve to build long-term project support in addition to answering key technical and business planning questions.

In Phase 11, the joint team (i-world and its Georgian ISP partner [3]) appears to socialize its findings and secure financing and political support for the long-term project. A robust set of meetings are outlined between the joint team and key members of the Georgian education, telecommunications and political community, followed by meetings with the financing agencies/firms that are outlined in the scope of work and were additionally outlined in the financing section of i-world's proposal to TDA .[4] Notably, i-world has also planned to meet with US computer and software manufacturers, potential commercial sponsors and services/content providers which shows i-world's keen understanding of the relationship between the feasibility study, TDA's potential project support and US export markets/growth. Importantly, the phase concludes with the finalization of the business plan.

In Phase 111, the joint team will prepare the final report, including the detailed and final pro forma financial analysis. Final meetings will transpire with individuals and organizations outlined in Phase 11 (above) and in i-world's proposal to TDA. At this point, i-world's feasibility study will be completed and the project shifts into the implementation stage. The IDS consultant notes that the nine-month timeframe appears realistic for the study and that "implementation" commences with the execution of signed contracts for sites, investors, equipment, etc.

While difficult to follow in its presented form in i-world's proposal to TDA, i-world's project budget is conservative and one of the more realistic that the IDS consultant has reviewed in over 40 desk studies conducted for US TDA. The highest-compensated manager (identified as the "enterprise manager") receives $960/day which is a conservative and appropriate rate for a US-government sponsored project. Project

[3] See Section F, *Qualifications,* for more information in this regard.
See also Section *D, Project Finance,* for more information in this regard.

managers receive $680/day and the assistant project manager receives $600/day while survey personnel are **compensated** at a rate of $640/day. Importantly, Georgian/Russian personnel appear to be compensated at rates commensurate with the country environment; for example, compensation schedules range from $1000 to $500 per *month* which clearly identifies that i-world acknowledges that the project will *not* consume all of these managers' time throughout the nine-month study period.

Travel and per-diem rates are refreshingly realistic and conservative; domestic trips between New York and Washington, D.C. are accurately budgeted at $300 per trip and New York/Tbilisi trips appear funded at the appropriate economy airfare (estimated) rate of $1500. Except for the absence of a project management schedule (see Section F, *Qualifications* and Section 1, *Recommendation),* the DS consultant believes that the project scope is well-conceived and that i-world is quite clear regarding what they hope to do, achieve and implement with both the Feasibility Study and longer-term project plan. The DS consultant also notes that i-world has committed, both verbally and in writing to contribute . of the $' Feasibility Study budget or approximately % of the total budget.

D. Project Finance

The overall cost estimate for the Project is estimated at approximately $2.5 M and expects to be fully funded within three and one-half years. i-world identified that one of the main purposes for conducting the feasibility study is to review the appropriateness of this projection.

As identified earlier, i-world's proposal identified that "i-world is a recently formed subsidiary of access.com inc. , a New York based Internet and telecommunications company,,.5 The DS consultant inquired about access.com's assets and legal structure during the project review call and in response, i-world provided additional documentation regarding the firm that was incorporated in April, 1999 and began operations in September, 1999 with $600,000 in capital. This information is shown in Attachment B and appears to substantiate the existence of the parent and subsidiary operations.

Exhibit F of i-world's proposal includes letters of financial commitment from a number of i-world shareholders; these letters document their intent to participate as equity investors in the project. Overall, their letters of intent provide approximately $3.0 M in funding. The DS consultant called the three potential stakeholders and they all confirmed that funds would be available for the Internet project investment if the feasibility study is favorable. i-world's proposal identifies five other potential "co-venturers (including Internet and telecommunications providers) and investment

bankers who have indicated that sources of equity and debt financing should be available assuming favorable results of the Feasibility Study.[6]

In addition, on February 12, 2000, the IFC/SOFTBANK Corp. (Japan) announced a $200 M fund to assist Internet entrepreneurs in developing countries. As identified in the press release which i-world shared with the IDS consultant (Attachment C):

> "SBEM (www.softbank.com/sbem) will nurture new Internet enterprises both by investing seed money and by providing an array of technological, legal, and management support to quickly turn ideas into solid businesses. SBEM will serve as an accelerator to speed the creation of Internet-anchored enterprises in developing countries by working with a network of global industry leaders and local partners."

SBEM will be established in Silicon Valley (CA) with an initial capital of $200 M; the venture plans to include a Global Incubation Center to facilitate the transfer of Internet technologies and business models from developed countries to emerging markets and will also seek joint ventures with leading Internet companies around the world. In a related announcement and resource for i-world's potential investments, i-world noted in their February 28, 2000 correspondence that:

> "I was also informed last week by Georgian Ambassador to the United States Tedo Japaridze that the World Bank staff intends to recommend a $60 M, ten year loan facility to the Georgian Education Ministry, a portion of which will be specifically allocated by the World Bank to Georgian Internet projects.',7

While neither of these announcements provide a financing commitment to i-world's potential venture, they certainly appear to provide two appropriate avenues for I-world to seek additional financing support, should it be needed.

The proposal notes that United States Governmental Agencies and/or other institutional, commercial and industry debt investors would be contacted for a needed $1.25 M in debt financing. It is important to note that as of March 6, 2000, the US Export-Import Bank (Ex-Im) does not support the Republic of Georgia for routine trade finance transactions in either the public or private sectors. Ex-Im does note that specifically for the Republic of Georgia:

> "Although closed for certain routine trade finance transactions, Ex-Im Bank will consider structured financing arrangements such as Ex-Im Bank's project finance program, asset-based aircraft leases, and other financing arrangements that offer a reasonable assurance of repayment, including reliable access to adequate foreign exchange. ,8

[6] i-world proposal to TDA, page 18/19. The DS consultant did not contact these individuals/firms as such contact appeared premature. [7] Private correspondence on file with Global *Resources* and the US TDA. http://www.exim.gov/country/cntliriiit.htrril updated as of February 25, 2000.

However, the TDA Country Manager had further discussions with Ex-Im and learned that the repayment/foreign exchange requirement for these programs had to reach US $25 M. As it is highly doubtful that the i-world project could generate this value of foreign exchange, it does not appear that Ex-Im's resources would be available.

The Overseas Private Investment Corporation (OPIC) is active in the Republic of Georgia although i-world should be aware that as noted on OPIC's website:

> "From time to time, statutory and policy constraints may limit the availability of OPIC programs in certain countries, or countries where programs were previously unavailable may become available. Also, under agreements with certain countries, the host government m q need to obtain host government approval before OPIC can support a project.

Hence, with caution and the understanding that any decision OPIC makes is project-specific, OPIC appears to be an avenue that the i-world team could additionally explore if the feasibility study is positive.

E. U.S. Export Potential

i-world's February 1, 2000 proposal indicated a US export potential of approximately $1.75 M. However, once the IDS process ensued, i-world became more familiar with TDA and how export potential projections are calculated. Hence, i-world provided a revised export potential projection in their February 28, 2000 correspondence. This revised export potential projection is shown in Attachment D and identifies approximately $26 M in exports over five years and a total of $43 M in exports over the project's ten-year timeframe.

The IDS consultant reviewed the qualitative and quantitative assumptions underlying the February 1, 2000 export projection with i-world during the project review telephone call, and reviewed the latter export projection as presented. The IDS consultant believes that the underlying reasoning and assumptions for the export potential are within reason, except for two modifications as identified below. It is noted that these export projections are based upon the preliminary project plan; this project plan requires a feasibility study that has not yet been produced. Hence, any project plan modifications that occur as a result of the feasibility study analysis would impact these export projections.

[9] http://www.opic.gov/subdocs/public/publications/ctrylist.htm updated as of December 27, 1999.

Category	*Unit Cost*	*Comment*	*Revision*
Facility Construction & Equipment Installation	$20,000	Most facility construction is produced by in-country labor; management may be US	Reduce by 70%
PCs, software and peripherals	$700	Acceptable	
ISP/telecom	35% of estimated total ISP/telecom expenses will be to US providers	Acceptable, particularly as US firm will be partner in firm managing the Internet project	
Shipping	$50 per unit to US suppliers	Acceptable	
Customer service facility	$100,000 (one time charge)	Most facility construction is produced by in-country labor; management may be US	Reduce by 70%

Relative to the comments in the table above and Attachment D, the DS consultant believes that the first column, *Facilities, Construction and Installation* should be reduced by 70% from $10,000,000 to $3,000,000. The one time *Customer Service Facility* projection of $100,000 should be reduced by 70% to $30,000. This reduces the five-year projection from $25,920,000 to $18,850,000.

i-world identified that "total US export estimates could be reduced by 35% to reflect a more conservative total network build-out whether over a five or ten year duration". The IDS consultant believes such conservatism is warranted, particularly with the delays and difficulties that are inherent in project installations and management in developing and emerging countries.

In addition, i-world's projection is that they will bring "10,000 computers in approximately 500 locations - reaching almost ninety percent of Georgia's 5.5 million people".10 By comparison, in the United States, a developed nation with 250 M people, approximately 16 M individuals utilize the Internet. This equates to an Internet-density of 6%. i-world's projection of reaching "90% of Georgia's 5.5 M people" appears overly optimistic, although it is important to note that they are more realistic in identifying that they are developing *10,000 access points* (e.g. computers). The IDS consultant believes that the project could be considered a success if they can reach even 10% of the population (particularly as the current Internet-density of Georgia is 6000 individuals). However, based on these two points - the inherent delays of network development in an emerging nation environment and the realistic build-out/use of the Internet - that the revised five-year export projection of $18,850,000 should be reduced by 35% to a final five year export potential projection of $12,252,200.

10 i-world's proposal to TDA, page 13.

According to information available on the world-wide web and provided by Sanet Ltd. (i-world 's potential partner), US firms providing products and services in the Republic of Georgia are as follows:

Supplier	*ProductslServices*
Compaq	PCs, servers, notebooks
Hewlett Packard	PCs, servers, printers
Dell Computers	PCs, servers, notebooks, HP printers
Cisco Systems	LANIWAN products

Notably, some of these US firms are sourcing products from Europe; e.g. components for some Compaq products originate from Germany, and HP and Dell have sourced materials from France and Ireland respectively. However, as i-world's projection identified $700 for PCs, software and peripherals, the DS consultant feels that the US value of the components in these products (including LAN, WAN and related networking products) may in fact reach the targeted $700 figure. Additional US firms that could benefit from this project include:

Computers: Dell, Compaq, HP, Gateway, IBM, Apple, Micron
Software: Microsoft
Online Services: Customized Online Content
Internet Telephony: Net2Phone, Dialpad, com, Phonefree.com, Zeroplus.com, DeltaThree.com, ibasis, ITXC, Visitalk, IDT
Computer Education: TBD in feasibility study
Related Consulting Opportunities: Ultrapro Inc., PricewaterhouseCoopers, Booz Allen

Foreign competition in the Republic of Georgia includes approximately 12 companies assembling computers in Tbilisi and as noted in the ŀworld proposal, Japanese computers and related products that are available in Georgia and the Caucasus. While market data is difficult to obtain for this country, the top ten countries with foreign direct investments in the Republic of Georgia are":

Count	Number of Projects	Investment Value ($/M)
Israel	6	$ 16,166,165
Ireland	5	14,984,530
US	19	10,220,434
Korea	2	9,120,500
Germany	24	7,983,221
Great Britain	15	6,629,424
Netherlands	9	6,516,770
Russia	19	4,600,773
Bermuda Islands	2	4,120,190
Turkey	12	3,916,734

Source: Republic of Georgia: Ministry of Trade and Foreign Economic-k Relations

F Qualifications

As identified in their proposal, i-world.com inc. is a recently formed subsidiary of access.com inc. As noted in Section D, *Finance,* the DS consultant inquired about access.com's assets and legal structure during the project review call and in response, i-world provided additional documentation regarding the firm that was incorporated in April, 1999 and began operations in September, 1999 with $600,000 in capital. This information is shown in Attachment B and appears to substantiate the existence of the parent and subsidiary operations.

serves as President of i-world.com and intends to serve as administrator of the feasibility study. The DS consultant found to be bright, knowledgeable, and responsive regarding the Republic of Georgia and several of the management challenges that a project team could encounter in this emerging-nation business/political environment. It is important to note that , founded A Inc. in 1994, which was apparently sold at a profit. He is teamed with the . a retired Congressman and partner in ' a law firm that represents a variety of domestic and international clients before the Congress, Executive Departments, Independent Agencies and quasi-governmental entities.

When queried during the project review call regarding the specific team members who would perform the study, identified that the team members would be selected, if/when the funding was obtained for the study. identified that he has worked with Russians on similar projects and that he would obtain his team from "his three Russia n/Americans from Moscow" and/or from Sanet, his potential ISP partner that is based in Georgia.

The DS consultant believes that has these contacts but notes that specific credentials (e.g. resumes) of potential feasibility study team members are absent and should be provided to TDA prior to the release of any project funding. While and his firm's other owners appear competent, they do not present market research, network planning, network engineering and other related credentials that would be required for the details that that the study will assess. While some of these needed competencies may be present in individuals who may work for Sanet, qualifications were not presented in this regard during the Desk Study.

For this reason, i-world is required to submit additional information regarding proposed team members who would work on the feasibility study project for TDA's review prior to the release of any TDA funding for this project.

i-world has identified that SANET, Georgia's primary ISP, would serve as their partner for the feasibility study and the potential project. SANET's December 23, 1999 letter to US TDA outlines their *intent* to become i-world's Georgian partner and identifies that

they are "prepared to invest $150,000 as in-kind services upon the successful and favorable completion of the Feasibility Study". [12] The letter does not outline any type of commitment to participating in the feasibility study and during the project review call, i-world confirmed that a specific *contract* does not exist between the two organizations that would outline their joint commitments/business plan (e.g. a Memorandum of Understanding, venture agreement, etc.). i-world indicated if there was any problem getting SANET to commit to participate in the feasibility study, that "they would seek out the next best potential partner".

The DS consultant believes that SANET is interested in participating in both the study and the potential project; SANET's responsiveness to i-world and their provision of data during the DS process is an indication of a positive business relationship between the two organizations. In addition, their December 23, 1999 letter does note that: "Our company includes numerous professionals and other skilled personnel who will assist i-world in completing the Feasibility Study. We will also include other local companies to assist us in our efforts to provide your agency and i-world with meaningful data and other research. " However, the DS consultant also acknowledges that the April 1, 2000 target start date for the study project will not be met and that changes in the economic, political or organizational climate could leave i-world without its prime in-country partner.

For this reason, the DS consultant recommends that should TDA support this project that it is done on a sequenced basis. First, TDA should provide a letter of commitment and approval to i-world that identifies that (a) the project has been approved by TDA and that (b) funding has been set aside and will be released, once i-world provides two pieces of documentation (in addition to the project staffing information requested above). These two pieces of documentation are:

1. A Memorandum of Understanding, venture agreement or other type of contract that specifically outlines the organizational, financial and related commitments between i-world and its Georgian partner for both the Feasibility Study and the potential project;
2. A detailed Feasibility Study project plan, which will outline the specific resources, task items, objectives and deliverables, and timeframe for each of the study plan's components. i-world should consider using project management software for the preparation of this project plan and the DS consultant notes that such plans have usually been easiest to prepare and most successful in implementation when prepared in conjunction with the partner firm and the project's staff. In fact, creating such a *joint* project plan often provides the basis for building project team support, creating common agendas with realistic goals and mitigating project risk.

G. Impact on U.S. Jobs

i-world's proposal noted that the demand for U.S. labor will be created through the procurement of equipment and supplies to establish the communications centers. The

[12] i-world's proposal to TDA, Exhibit D.

DS consultant agrees with this statement and also concurs that the establishment of communications centers in Georgia will not cause a reduction in employment in the U.S. due to any relocation of productive capacity from the U.S. to the host country. In fact, the enhanced communication provided by the Internet may in fact provide a forum for US (and Georgian) citizens to buy and sell employment services and may stimulate e-commerce on the web (thereby sustaining and/or creating jobs for US citizens). Should i-world be permitted to carry voice traffic through their Internet/educational centers, employment could be sustained and/or created in the international telecommunications field as well (gateway equipment, network provisioning, operator services, etc.).

H. Impact on the Environment

Most telecommunications and information technology projects have a positive impact on the environment. In particular, communication networks transfer voice, data and images electronically, thereby serving as a substitute for the human movement of information. As less private and public transportation is used to handle communication activity, the spread of noxious fumes to the environment is minimized, and chemical and human-made resources suffer less depletion. Human efficiencies are increased, as valuable time and energies can be allocated to other productive activities.

I. Recommendation

Global Resources recommends that TDA support this project, subject to the following two conditions which are discussed in greater detail in Section F, *Qualifications.*

1. The DS consultant believes that ' is capable of managing the feasibility study but specific credentials (e.g. resumes) of potential feasibility study team members were not provided as part of the Desk Study. While and his firm's other owners appear competent, they do not present market research, network planning, network engineering and other related credentials that would be required for the details that that the study will assess. While some of these needed competencies may be present in the management team and/or in individuals who may work for Sanet (or any other potential partner), qualifications were not presented in this regard during the Desk Study. For this reason, i-world is required to submit additional information regarding proposed team members who would work on the feasibility study project for TDA's review prior to the release of any TDA funding for this project.

2. The DS consultant believes that SANET is interested in participating in both the study and the potential project; SANET's responsiveness to i-world and their provision of data during the DS process is an indication of a positive business relationship between the two organizations. In addition, their December 23, 1999

letter does note that: "Our company includes numerous professionals and other skilled personnel who will assist i-world in completing the Feasibility Study**.** We will also include other local companies to assist us in our efforts to provide your agency and i-world with meaningful data and other research. " However, the DS consultant also acknowledges that the April 1, 2000 target start date for the study project will not be met and that changes in the economic, political or organizational climate could leave i-world without its prime in-country partner.

For this reason, the DS consultant recommends that should TDA support this project that it is done on a sequenced basis. First, TDA should provide a letter of commitment and approval to i-world that identifies that (a) the project has been approved by TDA and that (b) funding has been set aside and will be released, once i-world provides two pieces of documentation (in addition to the project staffing information requested above). These two pieces of documentation are:

a. A Memorandum of Understanding, venture agreement or other type of contract that specifically outlines the organizational, financial and related commitments between i-world and its Georgian partner for both the Feasibility Study and the potential project;

b. A detailed Feasibility Study project plan, which will outline the *specific* resources, task items, objectives and deliverables, and timeframe for each of the study plan's components. i-world should consider using project management software for the preparation of this project plan and the DS consultant notes that such plans have usually been easiest to prepare and most successful in implementation when prepared in conjunction with the partner firm and the project's staff. In fact, creating such a *joint* project plan often provides the basis for building project team support, creating common agendas with realistic goals and mitigating project risk.

Upon presentation of all three requested pieces of documentation, TDA would then release funding for the feasibility study project.

J. Proprietary Information

At this point, there are no obvious concerns relative to proprietary information within this project.

K. Contacts

During February and March, 2000, several conversations were held for project familiarization and updates between Ms. M. Eustace and Mr. D. Stein, US TDA and Ms. Di Landau, *Global Resources.* Fax and e-mail correspondence transpired between *Global Resources,* i-world and the US Trade and Development Agency. A project

review telephone call was held between i-world and Global *Resources* on February 21, 2000; supplementary project materials (which clarified concepts presented in the original proposal) were received on February 28, 2000. Research was conducted on the Internet as identified in footnotes throughout this Desk Study report.

www.opic.gov (Overseas Private Investment Corporation: Washington, D.C.)

www.exim.gov (Export-import Bank, Washington, D.C.)

Attachments

A. Letters from the Minister of Post and Telecommunications and Ministry of Education in the Republic of Georgia (2 pages)

B. Legal/financial statement regarding access.com inc. (1 page)

C. Press release regarding World Bank Group/SOFTBANK fund for Internet-related businesses in developing countries (4 pages)

D. Revised US Export Potential Projections (submitted 2/28/2000 - 2 pages)

Dear

I would Like to inform you that we carefully read your message and I will be pleased to discuss your activities, on your next visit to Tbilisi. It is my understanding that you intend, in conjunction with the Ministry of Education and a Georgian Internet Service Provider, to establish communications centers in our schools which will make the internet available to schoolchildren and others.

I would like. to confirm-i that there is sufficient telecommunications infrastructure in place in Georgia (and in Our schools) to support your proposed Internet operations. I would also like to believe that implementation of your project will eliminate distinction between Capitol and regions in development of the Internet.

With respect to SANET, 'this is to confirm that the Internet and telecommunications license granted to SANET permits SANET to provide Internet service throughout Georgia, including to schools and educational facilities.

I look forward to meeting with you and wish you good luck in this business which will bring many benefits to our people.

Dear

This is to confirm that the Ministry of Education is prepared to work closely with you and your company in your efforts to make PCs and the Internet affordable to all Georgians. It is our understanding that you and your investor group are prepared to invest over $3 million and to obtain additional financing from US government and other sources. As you know, we have been reviewing various ideas and we are pleased that you are willing to work with us and other friends of Georgia to implement this project.-

I understand that on the of the purposes of the Feasibility Study is for your company and our Ministry to work out the procedural details of the exact implementation and operation of you communications centers and how these centers will work within our schools. Our schools are the appropriate place for the communications centers and we welcome meeting with you as soon as possible. We believe that your business concept is an exciting opportunity for you Ministry to work with the US Private sector for the benefit of all Georgians and particularly our children..

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Please be assured of our appreciation for your efforts and our ongoing support

STATEMENT RE: access.com inc.

access.com inc. ("access" or the "Company") was incorporated in Virginia in Apt-if, 1999 and began business activities in September, 1999. The Company is based in New York and Los Angeles and its shareholders are comprised of a small group of private investors, headed by who have provided the company's seed capital of S600,000.

Access enables select special interest groups - highly -focused and cohesive membership and other affinity organizations worldwide- -to provide members and supporters private communications networks comprised of:

1) Branded Internet access and "bundled" voice telecommunications services, including Internet telephony;

2) Branded online services consisting of unique site content, user interaction and non-standardized e-commerce applications reflecting each group's distinct homogeneity;

In partnership with interest groups, the Company intends to "harness" interest group members' established affinity with their organization and achieve significant subscriber growth and high Internet and voice utilization. As each network subscriber will reach the Internet through the organization’s proprietary Internet access, Internet utilization ensures a "site hit" each time the Internet is used presenting unique marketing

and advertising opportunities to loyal subscriber bases. Advertisers and marketers will be assured that subscribers see their targeted message on the interest group's customized home page each time the Internet is accessed. The Company has secured agreements with third-party providers of customized value- added services - -ranging from branded e-commerce applications to entertainment and information services- - to sustain even greater subscriber loyalty. Additionally, provision of telecommunications services to existing subscriber bases will produce significant revenue at minimal subscriber acquisition expense. access has agreements in place with three interest

groups and intends to initiate two communications networks in 2000, commencing with a joint venture with the Armenian National Committee of America ("ANCA"), the political and social welfare organization that represents approximately- 250,000.Amenian-American families in California, approximately 350,000 households nationwide as well as an additional one million Armenian households worldwide. The Company is also finalizing negotiations with the Amway Corporation ("Amway")-- - one of the world's largest international multilevel marketing companies- - to design, implement and manage an integrated Internet/voice

"private" telecommunications network for its 1. 2 million Japanese distributor-households.

WORLD BANK GROUP AND SOFTBANK TO INVEST IN INTERNET ENTERPRISES FOR THE DEVELOPING WORLD

TOKYO, Feb. 12- 2000 - In the most significant single initiative yet to start to narrow the global digital divide and jumpstart the new digital economy in the developing world. the International Finance Corporation is j01111111-, with SOFTBANK CORP. of Japan to spawn startup Internet companies in sonic 100 developing Countries.

SOFTBANK. a Japan-based global Internet company. and IFC. part of the World Bank Group. will invest US$200 million to found SOFTBANK Emerging Markets to incubate Internet-related businesses in developI112 countries. IFC will also join SOFTBANK's recent Latin America- and China-focused Internet investment funds, bringing the total commitment to global Internet development to $500 million.

SBEM (w-,.vw.sof1bank.com/sbem) will nurture new Internet enterprises both by investing seed money and by providing an array of technological. legal, and management support to quickly turn ideas into solid businesses. SBEM will serve as an accelerator to speed the creation of Internet- anchored enterprises in developing countries by working with a network of global industry leaders and local partners.

SBEM will help entrepreneurs in developing countries use established business models to start up locally adapted versions of sonic of the world's leading Internet companies. And SBEINI will also provide risk capital and support for entrepreneurs in the developing world to turn their own business concepts into successful Internet enterprises.

"The digital divide is one of the greatest impediments to development. and it is growing exponentially." said World Bank President James D. Wolfensohn. ..With this initiative by IFC and SOFTBANK. we are taking a lead in the effort to close the gap. This investment will accelerate the inclusion of the developing countries in the information revolution. It will transfer technology from the rich countries to the developing world. fostering sustainable new local businesses which will promote prosperity", and reduce poverty. And it will. I hope. encourage others to follow with their own investments and initiatives to establish technolo2v and information centers all around the world."

"This historic partnership will play a crucial role in building the new\\ digital economy in developing countries around the \world." said Masayoshi Son. President and CEO of SOFTBANK CORP. "By leveraging SOFTBANK's global internet capabilities and IFC's expertise in international development, this unprecedented initiative offers tremendous opportunity to investors and entrepreneurs to build

successful new Internet businesses in emerging markets. At the same time, these markets will benefit from the economic rewards and quality-of-life gains associated with Internet growth."

The initiative is based on IFC's long experience of private sector investment in developing Countries around the world. using, project finance to build the businesses that are the foundation of sustainable growth in developing economies, and SOFTBANK's market leadership in taking Internet businesses international and at replicating Successful models in other countries. SOFTBANK operates or has strategic equity holdings in over 300 Internet companies in Japan, the U.S., Europe and globally, and has developed international operations of Yahoo!. E*TRADE, BUY.COM and Web.1,41). SOFTBANK has developed a strong track record for building Internet companies and for the incubation approach that has proven critical to fast-paced development of online enterprises with the key factor of first-mover advantage.

SBEM will be established in Silicon Valley, California. with initial capital of $200 million. 75 percent provided by SOFTBANK and 25 percent by IFC. The total investment of more than $500 million includes two recent SOFTBANK funds for China and parts of Latin America. in which IFC is participating.

SBEM will also establish a Global Incubation Center to facilitate the transfer of the latest Internet technologies and business models from developed countries to emerging markets. This technology company will ensure adequate technical resources for the incubated companies and foster the development of a mature technological base in the target countries.

SBEM will establish joint ventures with leading Internet companies to oversee the company's global roll-out in the targeted developing countries. These joint ventures wil1. in turn create joint ventures with local entrepreneurs and investors to build, launch and operate local Internet companies utilizing the parent's model for each targeted country. SBEM plans to announce its first incubated company in May 2000.

SBEM will also support local Internet ventures by providing funds and strategic resources to help entrepreneurs develop their own promising Internet business concepts into successful operating companies.

The investment will bring successful leading edge Internet models to developing markets and foster local enterprises. through the incubation approach that allows entrepreneurs to focus on business concepts while a core of centrally-based experts handles many of the ancillary business start-tip requirements. growth of e-business and Internet- based

enterprises in the developing world will narrow the gap - or digital divide - between countries with access to information technology and countries that are hampered by reliance on traditional sources of information and business tools.

The project will seek to improve Internet access levels in targeted countries by generating investor interest in emerging markets, which In turn should help lower the price of Internet access and increase the number of subscribers. SBEM will also promote free or subsidized Internet service to schools and other educational institutions to increase knowledge and access for people in developing countries.

The mission of IFC (www.lfc.org) is to promote private sector development in developing countries, which will reduce poverty and improve people's lives. lFC finances private sector investments in the developing world. mobilizes capital in the international financial markets and provides technical assistance and advice about the private sector. The World Bank (www.worldbaiik.org) has been active in building access to the Internet in developing countries and serving as a catalyst by becoming a knowledge center for the emerging markets. It is advising governments on how to shape policies, rules and regulations to encourage growth of the Internet industry, and has supported infrastructure, from telecommunications networks to delivery systems-is and payment mechanisms. The World Bank Group has just established a new Global Information and Communications Technologies department which brings together IFC's private sector transactional expertise and World Bank policy and regulatory advice to promote the transfer of information technologies to the developing world.

SOFTBANK (www.softbank.corn) has emerged as one of the world's leading Internet market forces. Through its ownership positions in more than 300 Internet companies and its unique Internet management concept, it is able to create market synergies for its family of companies on a global scale. In Japan its activities encompass distribution, publishing, Internet media platforms, a broad range of e-commerce businesses, and joint ventures with companies including Microsoft, Cisco, Yahoo!. the National Association of Security Dealers, and many other market leaders. In the U.S., SOFTBANK is the largest shareholder in leading Internet companies including Yahoo!, E*TRADE and ZDNet, in Europe has established Internet joint ventures with News Corp. and Vivendi, and is helping build Internet companies in Latin America, Australia, New Zealand, India. China and Korea.

CONTACTS:

REVISED STATEMENT RE: **U.S. EXPORT** POTENTIAL

In deriving estimates of potential U.S. exports, the following assumptions were made: All purchasing decisions will be approved by J. i-world's C.E.O.; American made products and services will be purchased by i-world notwithstanding 1) requests from Georgian partners and/or the Georgian government to acquire goods and services from non-U.S. sources; and/or 2) lower non- US pricing. As the joint venture's managing partner and as i-world will be responsible for providing the necessary financing, it will be the Company's prerogative to make purchasing decisions.

The original export estimates were incorrectly calculated and were not correlated to the proposed five-year estimated network build out set forth in the pro forma financial projections. Enclosed herewith are revised export estimates that 1) correlate to the pro forma financial projections' five-year build out timetable; and 2) include potential export estimates for Years VI-X. A five-year build out is an aggressive assumption and the stated five-year export totals would be more conservatively stated as attainable within ten years of business operations. Similarly, total U.S. export estimates could be reduced by 35% to reflect a more conservative total network build-out whether over a five or ten year duration.

The following revised export estimates for U.S. goods and services include the following categories of goods and services at the stated projected cost.

CATEGORY	PER UNIT COST
Facility Construction Equipment Installation	$20,000.
PCs, software and peripherals	$700.
ISP/telcom	35% of Estimated Total ISP/TELCOM expenses will be to U.S. Providers.
Shipping	$50 per unit to U.S. Shippers.
Customer Service facility	$100,000 (one time charge)

FIVE AND TEN YEAR POTENTIAL U.S. EXPORT TOTALS

($0001S)

FACILITIES, EQUIPMENT, SALA-RIES,IL ISP/ MISC TOTAL CONSTRUCTION, SOFTWARE, TRAINING, TELCOM

INSTALLATION SHIPPINGCONSULTANTS

YEAR 1. 400 1000 300200 150 2050

YEAR 11. 1600 1000 300 570 100 3570

YEAR 111. 2000 2000 300 1200 100 5600

YEAR IV. 3000 2000 200 2100 100 7400

YEAR V. 3000 1000 200 3000100 7300

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5 0 DTA 10000 7000 1300 7070 550
YEA

YEAR VI. - - 250 3000 150 3400

YEAR VII. - - 250 3000 150 3400

YEAR VIII. - - 250 3000 150 3400

YEAR IX. - - 300 3000 150 3450

YEAR X. - - 300 3000 150 3450

10000 7000 2650 22070 1,300

1/ Salaries, training and consultant fees paid to U.S. citizens.

Annex I

SCOPE OF FEASIBILITY STUDY

A. Scope of Work and Time-line

It is anticipated that the Feasibility Study will have an approximate nine month duration and will commence on April 1, 2000. The effort is broken down into three phases as set forth below. The general framework is as follows:

PHASE 1 -APRIL 1 ~ 2000--JUNE 30, 2000

Evaluation of market demand and availability of existing services.

During this initial three month phase, a detailed study will be undertaken in Georgia in order to determine the level of interest of Georgian target communities and will include detailed polling of residents in these select communities. The purpose of this Phase is to gather realistic historical and newly generated statistical data indicating likely future growth in demand for ISP and telecommunications services, in general, and those that will be offered by the Company. Phase 1 will assess the following factors and will include the following:

1) Ascertain Consumer Income levels;
2) Ascertain existing consumer ISP/telecommunications usage patterns;
3) Ascertain potential future consumer demand for communications centers' ISP/telecommunications and business services;
4) Ascertain Consumer Demand for various ISP/telecom services at various pricing levels;
5) Pricing Analysis;
6) Pro Forma Revenue and Expense analysis of proposed service offerings;
7) Meetings with Georgian ISP, SANET, and ISP "backbone" (e.g., UUNET, PSINET) and US telecommunications carriers to determine ISP system configuration;
8) Determine availability of local services, including computer education instructors;
9) Preliminary selection of communications center sites, including meetings with Georgian Ministry officials in Tbilisi, Kutaisi and Poti;

PHASE 11- - JULY 1, 2000- - - SEPTEMBER 31, 2000

Export Financing Analysis and Meetings with Georgian and U.S. Governmental agencies and U.S. computer manufacturers and other potential commercial partners.

Assuming that the Phase 1 results are favorable from a consumer demand perspective, Phase H activity will include:

1) Meetings with Georgian governmental agencies, including Office of the President, Ministry of Education and Ministry of Telecommunications; Georgian embassies in U.S., and western Europe;
2) Meetings with U.S. governmental and multilateral financing agencies including U.S. Export -Import Bank, U.S. Overseas Private Investment Corporation, International Finance Corporation and EBRD;
3) Meetings with U.S. computer and software manufacturers, potential commercial sponsors and providers of services and content;
4) Meeting with SANET to finalize Business Plan;
5) Finalization of pricing in light. of Phase I results;
6) Determine availability of third-party financing to guarantee Georgian government obligations;
7) Selection of U.S. suppliers and providers of goods and services and review of proposed computer purchase agreements;
8) Determine level of non-profit-NGO support.

PHASE III ----- OCTOBER 1, 2000--DECEM[BER 31,2000

FINAL PROJECT ANALYSIS AND PREPARATION OF FINAL REPORT

Phase III will include the drafting of the Final Report, including projections of revenue and expenses for the first five years of operation. Phase III will also include final meetings with Georgian and U.S. governmental agencies.

1) Analyze results from Phase 1 and Phase 11 activities; 2) Meetings with public and private investors; 3) Determine legal framework; 4) Prepare detailed and final pro forma financial analysis; 5) Evaluate Preliminary Business Plan and project feasibility; 6) Prepare Final Report;

B. **Timeline for Completion of Feasibility Study and Initiation of Commercial Activities**

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ACTIVITY	TIMELINE
Feasibility Study	April 1, 2000-December 31, 2000
Phase 1: Market Demand And Determination of Extent of Georgian ISP Involvement.	April 1, 2000-June 30, 2000
Phase 11: Export Financing Analysis; Study of Public and Commercial Sector Financial and Operational Involvement.	July1, 2000-September 31,2000
Phase III: Financial and Investor/Govt. Feasibility; Final Report.	October1,2000-December 31,2000
)> Execution of U.S.-sourced Computer/software Contracts; Finalization of Site Selection; Execution of Local ISP Contracts; Investors agreements Executed.	January1, 2001-March 31,2001
> Shipment and installation of computers to selected communications centers.	April 1, 2001-May 14,2001
Final ISP/telecommunications system configuration.	May 1, 2001-May 14, 2001
> First Communications centers Operational.	May 15, 2001
> Shipment and Installation Of Computers to communications Centers throughout Georgia.	May 16, 2001-December 31, 2008